LIND CAPITAL PARTNERS

Municipal Market Statistics

October 2023

	10-01-23	09-01-23	10-01-22	10-01-20	10-01-18
10-Year AAA BVAL Municipal	3.36%	2.85%	3.24%	0.83%	2.60%
10-Year US Treasury	4.63%	4.11%	3.84%	0.69%	3.06%
10-Year Muni vs. Treasury Ratio	72%	69%	84%	120%	85%
IG Fund Flows YTD	($11.9B)	($9.0B)	($76.4B)	$28.6B	$7.4B
HY Fund Flows YTD	$0.8B	$1.5B	($15.0B)	($5.7B)	$4.8B
IG (LMBITR) Total Return YTD	(1.15%)	1.59%	(12.13%)	3.33%	(0.40%)
HY (LMHYTR) Total Return YTD	0.48%	3.52%	(16.03%)	0.37%	4.45%
New Issue Calendar YTD	$259B	$235B	$294B	$335B	$238B

Lind Capital Partners Municipal Market Commentary

- ***Municipal Market Performance***: Historically, September has been a difficult month for municipal performance and, unfortunately, this September was no different. Bloomberg Barclays Municipal Index LMBITR posted a loss of (2.93%) in September (1.38%) YTD. The Bloomberg Barclays High Yield Municipal Index LMHYTR followed suit, recording a loss of (3.40%), evaporating the Index's positive year-to-date performance, which is now flat.
- ***AAA Municipal Benchmark Rates***: The AAA muni benchmark curve extended it's march higher in September, with yields rising by 51bps in 5 years, 57bps in 10 years, and 52bps out in 30 years. For comparison, US Treasury yields rose by 35bps in 5 years, 46bps in 10yrs, and 48bps in 30 years.
- ***Mutual Fund Flows:*** Open-ended municipal mutual fund flows were decidely negative in September, ultimately experiencing close to ~$4.5B in outflows month-to-date. This extends the losses from municipal fund complexes in 2023 which now total $12B year-to-date. High-yield mutual fund flows were slightly more constructive in September, relatively speaking, as High Yield funds experienced outflows 3 out of 4 weeks, totaling $465mm. High Yield flows remain positive year-to-date, with inflows of $0.8B for 2023.
- ***Primary Market Supply***: Municipal supply finished the month around $30bn (up 11% YoY). Year-to-date issuance ($284bn) remains muted, down 15% vs 2022.
- ***Looking Ahead:*** The perferct storm of a sharp sell-off in Treasuries and a less supportive technical environment (slight increase in supply coupled with the end of the summer reinvestment period), leaves the municipal market feeling slightly vulnerable heading into October. With that said, the sell-off in September felt relatively orderly. While price concessions were needed to successfully place deals in the primary, new issues still found a range of buyers. October is historically one of the largest new issue months of the year, as the urgency for borrowers to finance important capital projects before the holidays and year-end intensifies. While the volatility in capital markets has sidelined many projects year-to-date, October might change that, especially as the "higher for longer" narrative takes hold. Ultimately, if the dramatic rise in rates (AAA munis are 85bps higher in 30 years since the beginning of August), leads to heavier mutual fund outflows and the primary calendar continues to build, LCP expects October to present some extremely compelling **long-term** investment opportunities.

Lind Capital Partners Municipal Non-Rated Market Commentary

The aggressive tightening by the Federal Reserve over the past 18 months has created an interesting investing environment. For the first time in many years, fixed income investors are earning a 5.00%+ return on short-term instruments. Additionally, the inversion of the US Treasury curve seems to have lured investors into a false sense of security to "*do nothing but sit and wait…"* The cost of this complacency can have a serious impact on long-term investors' portfolio performance. Even in a stable rate environment, the opportunity cost can be significant. If rates trend downward, even modestly, the costs are amplified. The reinvestment risk associated with hiding out in short-term fixed income assets poses a threat to investors achieving their long-term objectives.

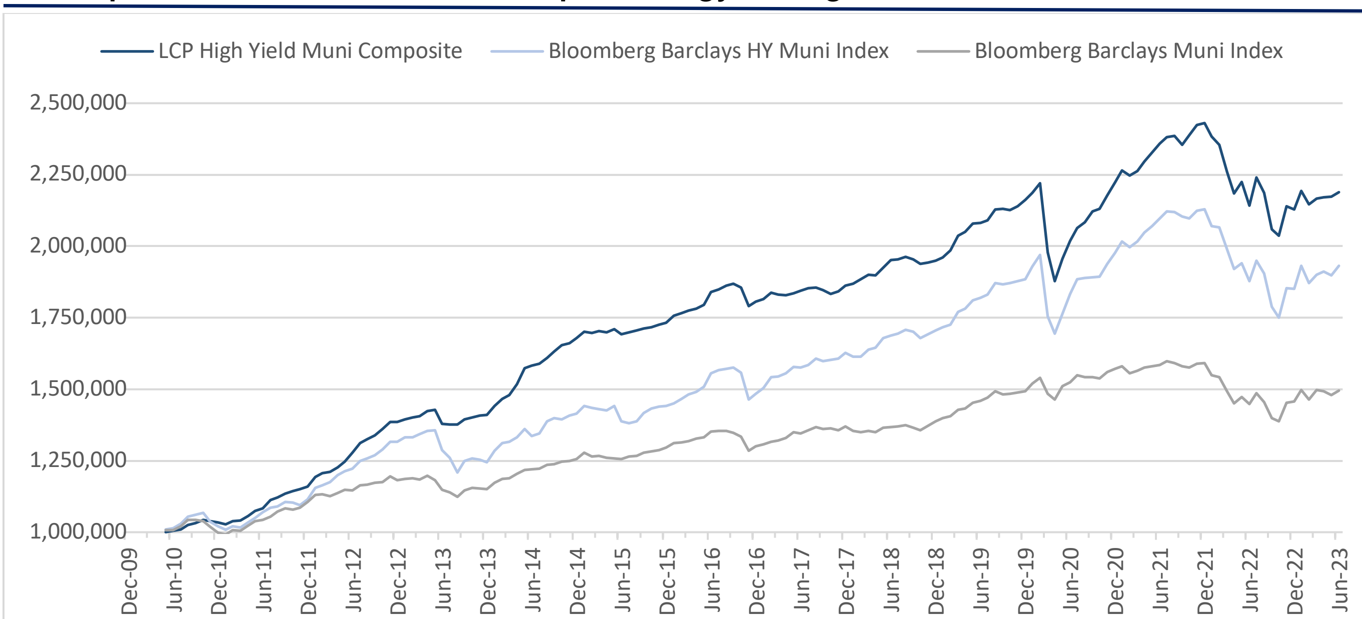
Advisors have asked LCP to quantify the opportunity cost of "hiding out" in short term taxable instruments rather than investing in the non-rated tax-exempt market. To do so, we have created 2 simple scenarios over a 5-year time horizon using current US T-Bill rates and generic 20-year non-rated municipal rates: Stable rates and a modest 0.25% reduction in rates per year. See table below.

US T-Bill (Federally Taxable)	Stable Rates	Declining Rates	Non-Rated Municipal Bond (Tax-Exempt)	Stable Rates	Declining Rates
Beginning Yield	5.50%	5.50%	Beginning Yield	7.00%	7.00%
Ending Yield	5.50%	4.50%	Ending Yield	7.00%	6.00%
Federal Income Tax Rate	40.8%	40.8%	Coupon	5.50%	5.50%
			Maturity	20 years	20 years
After-tax IRR	**3.26%**	**2.97%**	After-tax IRR	**7.00%**	**8.77%**
Opportunity Cost	**3.74%**	**5.80%**			
(Current 1-year T-Bill Rate, generic 20-year Non-Rated Municipal Rate via Bloomberg, LP. Rate declines assume 25 bps per year. IRR does not assume any reinvestment)					

In a stable rate environment, investing in 12-month T-Bills generates a 3.26% after-tax total return. Investors are sacrificing 3.74% per year compared to a 20-year non-rated tax-exempt bond yielding 7.00% (Note: **The opportunity cost exceeds** the after-tax return of the short-term investment).

While that difference is compelling in and of itself, the true measure of reinvestment risk and opportunity cost is highlighted in a modestly declining rate environment. Rolling over 12-month UST for 5-years when rates decline 0.25% per year would reduce the after-tax total return to 2.97%. Due to the structure of a longer maturity tax-exempt bond, a 20-year, 5.50% coupon bond yielding 7.00% would be priced at $0.84. Even a modest decline in yields drives significant price appreciation and total return. The total return on the 20-year tax-exempt bond would increase to 8.77%. The opportunity cost increases dramatically, and investors sacrifice 5.80% per year if they chose to remain invested in short-term US T-Bills. While short-term rates appear attractive, investors should be mindful of the opportunity costs associated with becoming complacent, and how these costs may impact their long-term objectives. *It should be noted, if rates rise significantly, the return profile of the non-rated municipal scenario will be adversely affected.*

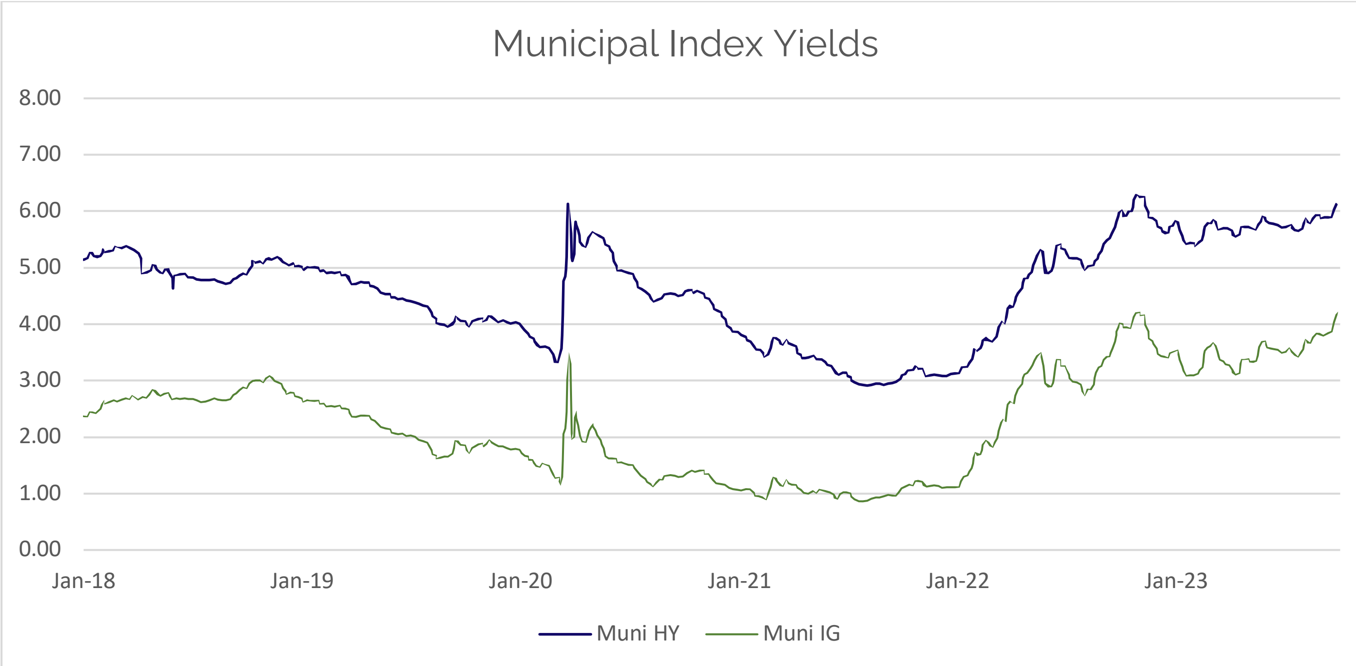
Lind Capital Partners Non-Rated Municipal Strategy (through June 30, 2023)

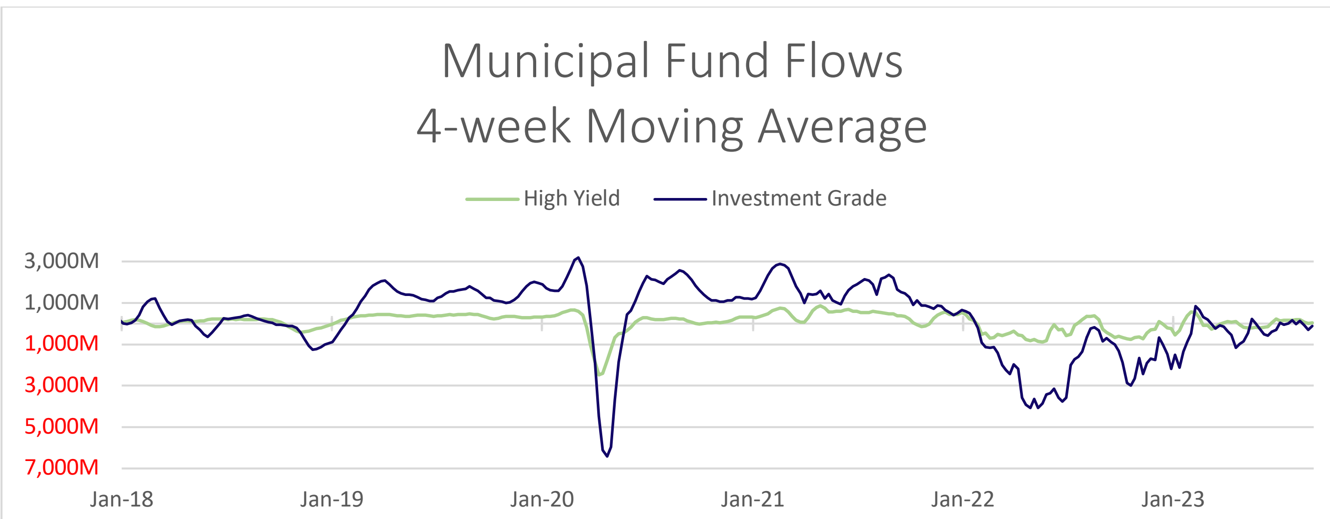


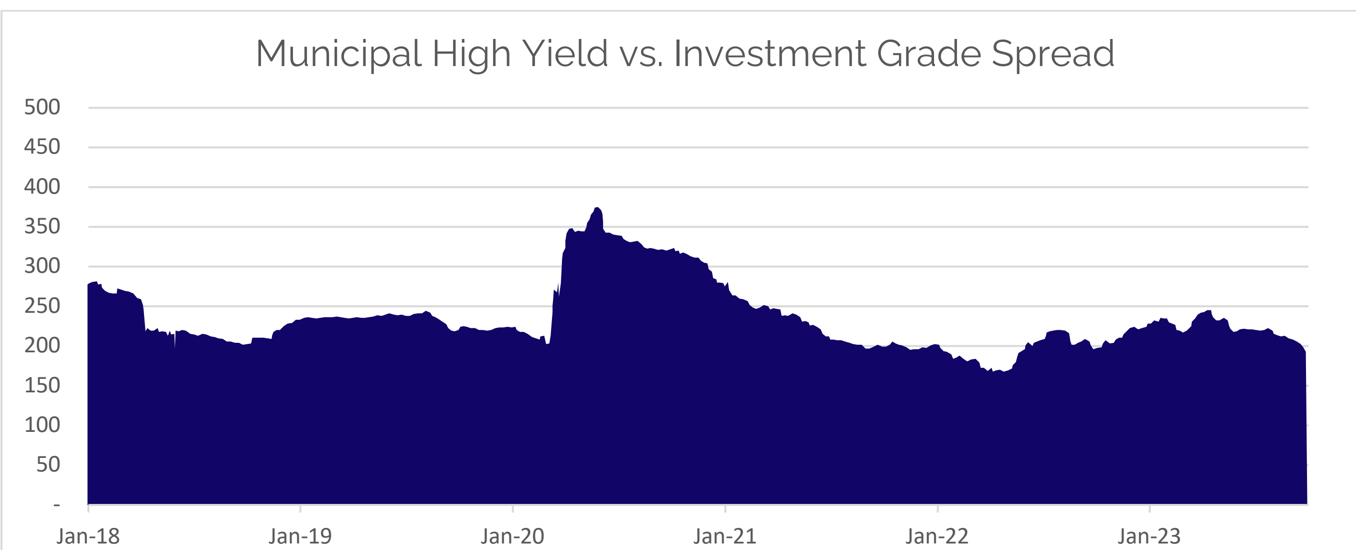
The chart above shows the increase in value of $1,000,000 invested in the LCP composite at inception (net of management fees and expenses) vs. the benchmark, the Bloomberg High Yield Muni (LMHYTR) as well as the Bloomberg Muni (LMBITR) indices (it is not possible to invest in either Bloomberg Index). Please contact us with questions regarding credit profile, returns, taxable equivalent yields or further portfolio information. Past performance is not indicative of future results.

Disclosure

Past performance is not indicative of future results. An investment in the Lind Capital Partners Non-Rated Municipal strategy is not suitable for all investors. Investing involves risk, and municipal instruments can be affected by adverse political and economic conditions. The material contained herein is provided for informational purposes only and is not financial advice, should not be construed as an offer to buy, hold, or sell any security or to invest in the strategy, and may contain information from third party sources Lind Capital Partners, LLC (LCP) believes to be accurate. Any offer for investment in the LCP limited partnership vehicle will be made exclusively to qualified investors on a private placement basis, and only by means of a private placement memorandum, which contains detailed information concerning investment terms. LCP is an investment adviser registered with the U.S. Securities and Exchange Commission. Registration as an investment advisor does not imply a certain level of skill or training. Performance information (time-weighted rate of return) is provided for the LCP Non-Rated Municipal Composite (Inception May 1, 2010) which is comprised of all fully discretionary accounts managed in the LCP High Yield Muni Strategy. Performance returns include realized and unrealized gains and losses; are calculated total return, net of actual advisory fees and transaction costs, including distributions to Limited Partnership investors where appropriate. Refer to LCP's Form ADV Part 2A for additional information related to advisory fees and services. This document is publicly available and upon request by contacting: Info@LindCaptialPartners.com. Performance measured by Cortland Capital Services, Clearwater Analytics, NAV Consulting, ICE Data Services and Bloomberg. Opinions expressed are those of LCP and should not be considered a forecast of future events or a guarantee of future results. Opinions and estimates offered constitute our judgment as of the date set forth above and are subject to change without notice, as are statements of financial market trends, which are based on current market conditions. All material presented is compiled from sources believed to be reliable, but no guarantee is given as to its accuracy.







Sources: Refinitiv and Bloomberg LP